

**THE ALASKA COMMUNITY FOUNDATION**

Audited Financial Statements

Years Ended December 31, 2007 and 2006

# THE ALASKA COMMUNITY FOUNDATION

## Table of Contents

|                                     |        |
|-------------------------------------|--------|
| <u>Independent Auditor's Report</u> | 1      |
| <u>Financial Statements</u>         |        |
| Statements of Financial Position    | 2      |
| Statements of Activities            | 3 - 4  |
| Statements of Cash Flows            | 5      |
| Notes to Financial Statements       | 6 - 10 |

## Independent Auditor's Report

Board of Directors  
The Alaska Community Foundation  
Anchorage, Alaska

I have audited the accompanying statements of financial position of The Alaska Community Foundation (the Foundation, a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based upon my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alaska Community Foundation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Karen M. Foster, CPA  
Foster & Company

March 19, 2008

**THE ALASKA COMMUNITY FOUNDATION**

Statements of Financial Position

December 31, 2007 and 2006

| <b>Assets</b>                                                       | 2007          | 2006          |
|---------------------------------------------------------------------|---------------|---------------|
| Current assets:                                                     |               |               |
| Cash and cash equivalents:                                          |               |               |
| Restricted                                                          | \$ -          | \$ 91,311     |
| Unrestricted                                                        | 49,211        | 15,174        |
| Total cash and cash equivalents                                     | 49,211        | 106,485       |
| Accounts receivable                                                 | 1,665         | 17,344        |
| Pledges receivable                                                  | 380,400       | 676,700       |
| Stock gifts in transit                                              | 20,897        | 32,224        |
| Prepaid expenses                                                    | 4,620         | -             |
| Total current assets                                                | 456,793       | 832,753       |
| Non-current assets:                                                 |               |               |
| Investments:                                                        |               |               |
| Held for operations                                                 | 507,974       | 415,155       |
| Held in trust for other organizations                               | 3,901,556     | 2,614,757     |
| Temporarily restricted                                              | 6,361,844     | 5,097,048     |
| Held for donor advised and other funds                              | 25,777,267    | 19,166,086    |
| Total investments                                                   | 36,548,641    | 27,293,046    |
| Property and equipment, at cost, net of<br>accumulated depreciation | 51,636        | 373,342       |
| Total non-current assets                                            | 36,600,277    | 27,666,388    |
|                                                                     | \$ 37,057,070 | \$ 28,499,141 |
| <b>Liabilities and Net Assets</b>                                   |               |               |
| Current liabilities:                                                |               |               |
| Accounts payable                                                    | \$ 33,951     | \$ 49,314     |
| Grants payable                                                      | 11,670        | 5,000         |
| Total current liabilities                                           | 45,621        | 54,314        |
| Funds held for other organizations                                  | 3,901,556     | 2,614,757     |
| Total liabilities                                                   | 3,947,177     | 2,669,071     |
| Net assets:                                                         |               |               |
| Unrestricted:                                                       |               |               |
| Undesignated                                                        | 21,906,807    | 18,573,974    |
| Invested in property and equipment                                  | 51,636        | 373,342       |
| Total unrestricted                                                  | 21,958,443    | 18,947,316    |
| Temporarily restricted                                              | 7,161,366     | 5,895,059     |
| Permanently restricted                                              | 3,990,084     | 987,695       |
| Total net assets                                                    | 33,109,893    | 25,830,070    |
|                                                                     | \$ 37,057,070 | \$ 28,499,141 |

See accompanying notes to financial statements.

**THE ALASKA COMMUNITY FOUNDATION**

Statements of Activities, page 1 of 2  
Years Ended December 31, 2007 and 2006

|                                                                                                                       | <u>2007</u>             | <u>2006</u>             |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Unrestricted net assets:                                                                                              |                         |                         |
| Operating activities:                                                                                                 |                         |                         |
| Public support (including \$324,788 and \$313,917 in assets released<br>from temporary restrictions in 2007 and 2006) |                         |                         |
| Contributions - operations                                                                                            | \$ 128,798              | \$ 127,352              |
| Contributions - donor advised and other funds                                                                         | <u>7,262,857</u>        | <u>10,333,339</u>       |
| Total public support                                                                                                  | 7,391,655               | 10,460,691              |
| Revenue:                                                                                                              |                         |                         |
| Fund administration fees                                                                                              | 316.140                 | 255.043                 |
| Operating investment income, net                                                                                      | 1,390,359               | 517,228                 |
| Lease and other income                                                                                                | <u>37.352</u>           | <u>12,244</u>           |
| Total revenue                                                                                                         | 1,743,851               | 784,515                 |
| <br>Total public support and revenue                                                                                  | <br><u>9,135.506</u>    | <br><u>11,245.206</u>   |
| Expenses:                                                                                                             |                         |                         |
| Personnel and contract service fees                                                                                   | 529.605                 | 347.465                 |
| Investment and fund administration fees                                                                               | 467.640                 | 327.277                 |
| Insurance                                                                                                             | 3.889                   | 3,807                   |
| Communications and marketing                                                                                          | 59.693                  | 42,804                  |
| Administrative                                                                                                        | 145.284                 | 24.148                  |
| Travel                                                                                                                | 57,880                  | 40,479                  |
| Grants                                                                                                                | 5,122,336               | 2,835,321               |
| Special Events and Fundraising                                                                                        | <u>2.060</u>            | <u>-</u>                |
| Total expenses                                                                                                        | 6,388,387               | 3,621,301               |
| <br>Increase in net assets from operating activities, excluding<br>depreciation, in-kind and non-operating activities | <br><u>\$ 2,747.119</u> | <br><u>\$ 7,623,905</u> |

See accompanying notes to financial statements.

**THE ALASKA COMMUNITY FOUNDATION**

Statements of Activities. page 2 of 2  
Years Ended December 31, 2007 and 2006

|                                               | <u>2007</u>          | <u>2006</u>          |
|-----------------------------------------------|----------------------|----------------------|
| Unrestricted net assets:                      |                      |                      |
| Non-cash operating activities:                |                      |                      |
| Depreciation                                  | \$ (11,775)          | \$ (11,424)          |
| Unrealized gains                              | 275,782              | 1,174,551            |
| Donated real property                         | -                    | 340,232              |
| In-kind revenue                               | 8,866                | 25,124               |
| In-kind expense                               | <u>(8,866)</u>       | <u>(25,124)</u>      |
| Total non-cash operating activities           | 264,007              | 1,503,359            |
| <br>                                          |                      |                      |
| Increase in unrestricted net assets           | <u>3,011,126</u>     | <u>9,127,264</u>     |
| <br>                                          |                      |                      |
| Changes in temporarily restricted net assets: |                      |                      |
| Investment gains                              | -                    | -                    |
| Unrealized gains                              | 1,264,796            | 1,113,506            |
| Temporarily restricted grants                 | 326,300              | 1,013,000            |
| Net assets released from restrictions         | <u>(324,788)</u>     | <u>(313,917)</u>     |
| Increase in temporarily restricted net assets | 1,266,308            | 1,812,589            |
| <br>                                          |                      |                      |
| Changes in permanently restricted net assets: |                      |                      |
| Permanently restricted cash and pledges       | <u>3,002,389</u>     | <u>261,839</u>       |
| <br>                                          |                      |                      |
| Increase in net assets                        | 7,279,823            | 11,201,692           |
| <br>                                          |                      |                      |
| Net assets, beginning of year                 | <u>25,830,070</u>    | <u>14,628,378</u>    |
| <br>                                          |                      |                      |
| Net assets, end of year                       | <u>\$ 33,109,893</u> | <u>\$ 25,830,070</u> |

See accompanying notes to financial statements.

**THE ALASKA COMMUNITY FOUNDATION**  
**Statements of Cash Flows**  
**Years Ended December 31, 2007 and 2006**

|                                                                                         | <u>2007</u>      | <u>2006</u>       |
|-----------------------------------------------------------------------------------------|------------------|-------------------|
| Cash flows from operating activities:                                                   |                  |                   |
| Change in net assets                                                                    | \$ 7,279,823     | \$ 11,201,692     |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                  |                   |
| Depreciation                                                                            | 11,775           | 11,424            |
| Recovery of depreciation on disposal of assets                                          | (10,301)         | -                 |
| Donation of real property                                                               | 320,232          | (340,232)         |
| Unrealized (gain) on operating investments                                              | (1,544,337)      | (1,777,175)       |
| Realized (gain) loss on operating investments                                           | (865,938)        | (652,541)         |
| (Increase) decrease in assets:                                                          |                  |                   |
| Operating investments                                                                   | (5,558,521)      | (7,665,143)       |
| Pledges receivable                                                                      | 296,300          | (676,700)         |
| Accounts receivable                                                                     | 15,679           | 21,079            |
| Stock gifts in transit                                                                  | 11,327           | (32,224)          |
| Prepaid expenses                                                                        | (4,620)          | 939               |
| Increase (decrease) in liabilities:                                                     |                  |                   |
| Accounts payable                                                                        | (15,363)         | 27,054            |
| Grants payable                                                                          | 6,670            | 5,000             |
| Funds held in trust for other organizations                                             | -                | (186,556)         |
| Net cash provided (used) by operating activities                                        | <u>(57,274)</u>  | <u>(63,383)</u>   |
| Cash flows from investing activities:                                                   |                  |                   |
| Purchase of software                                                                    | <u>-</u>         | <u>(7,515)</u>    |
| Net cash provided (used) by investing activities                                        | -                | (7,515)           |
| Net increase (decrease) in cash and cash equivalents                                    | (57,274)         | (70,898)          |
| Cash and cash equivalents, beginning of year                                            | <u>106,485</u>   | <u>177,383</u>    |
| Cash and cash equivalents, end of year                                                  | <u>\$ 49,211</u> | <u>\$ 106,485</u> |

See accompanying notes to financial statements.

# THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2007 and 2006

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Alaska Community Foundation (the Foundation) is presented to aid in understanding the Foundation's financial statements. The financial statements and notes are the representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting principles conform to generally accepted accounting principles.

### Nature of the Organization

The Alaska Community Foundation was incorporated as a nonprofit organization in the State of Alaska in 1995. Its mission is to encourage and nurture philanthropy through the establishment of a permanent endowment that will address current and emerging needs in Alaskan communities.

### Income Tax Status

The Foundation is recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public foundation as defined under Section 509(a). The Foundation is exempt from State income taxes under the Alaska Nonprofit Corporation Act. Therefore, the accompanying statements do not reflect a provision for income taxes.

Although The Foundation is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities.

### Basis of Accounting

The Foundation's accounting records are maintained on the accrual basis of accounting.

### Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets (equity): unrestricted, temporarily restricted, and permanently restricted.

### Cash and cash equivalents

For the purpose of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with initial maturity of three months or less to be cash equivalents.

### Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.



# THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements. *continued*

## **NOTE A – Summary of Significant Accounting Policies, *continued***

### **Funds Held for Other Organizations (Agency Endowments)**

SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, requires assets received from a nonprofit organization that names itself or its affiliate as the beneficiary of the fund created to be reported as liabilities rather than as contributions even if variance power is explicitly stated in the gift agreement. Assets received and net investment earnings are recorded as increases to agency endowment liabilities; fund distributions and fees are recorded as decreases to liabilities.

### **Contributions Recognition**

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as *permanently restricted*. Assets received subject to donor-stipulated time or purpose restrictions are reported as *temporarily restricted*. Temporarily restricted net assets are shown in the Statement of Activities as net assets released from restrictions when time restrictions expire or the donor's stipulated purpose has been fulfilled.

Donor-advised fund agreements allow the donor to suggest the purpose for which the gift will be used, but the agreements indicate that those suggestions are not binding on the Foundation. By virtue of granting this variance power, assets received pursuant to donor-advised agreements are reported as *unrestricted*.

### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### **Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

### **Consolidated Financial Statements**

The financial statements include the accounts of the Organization and its wholly owned subsidiary, ACF Properties 1, LLC. There were no inter-company transactions requiring elimination prior to presentation in these financial statements.

### **Property and Equipment**

Per the Organization's policy, property and equipment with an original value of \$1,000 or more, is recorded at cost or, in the case of donated property, at its estimated fair value as of the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which varies from three to twenty years. Expenditures for repairs and maintenance are charged against operations as incurred.

**THE ALASKA COMMUNITY FOUNDATION**

Notes to Financial Statements, *continued*

**NOTE B – UNINSURED DEPOSITS**

Funds in financial institutions are insured up to the Federal Depository Insurance (FDIC) limitation of \$100,000. As of December 31, 2007 and 2006, \$132,848 and \$147,721 respectively, was uninsured and uncollateralized.

**NOTE C – GRANTS AND AWARDS**

Grants awarded to others are recorded as an expense and a liability when approved by the Governing Board or when the recipient fulfills the conditions of the grant.

**NOTE D – IN-KIND CONTRIBUTIONS AND DONATIONS OF REAL PROPERTY**

In-kind contributions and donations of real property are comprised of the following amounts:

|                        | <u>2007</u> |    | <u>2006</u> |
|------------------------|-------------|----|-------------|
| Office occupancy       | \$ 8,866    | \$ | 25,124      |
| Real property (Note I) | \$ -        | \$ | 340,232     |

Valuation of office space is based upon estimated fair value of similar facilities obtained in an arm's length transaction.

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

|                          | <u>2007</u>      |           | <u>2006</u>      |
|--------------------------|------------------|-----------|------------------|
| Building                 | \$ -             | \$        | 309,032          |
| Land                     | 20,000           |           | 31,200           |
| Furniture and equipment  | 10,686           |           | 10,686           |
| Software                 | 36,001           |           | 36,001           |
|                          | <u>66,687</u>    |           | <u>386,919</u>   |
| Accumulated depreciation | <u>( 15,051)</u> |           | <u>( 13,577)</u> |
|                          | <u>\$ 51,636</u> | <u>\$</u> | <u>373,342</u>   |

Depreciation expense was \$11,775 and \$11,424 in FY07 and FY06, respectively.

**THE ALASKA COMMUNITY FOUNDATION**

Notes to Financial Statements, *continued*

**NOTE F – INVESTMENTS**

Managed Investments

Publicly traded managed investments are stated on the basis of quoted market prices. Funds managed by the Foundation are subject to its investment policy, which is to maintain a well-diversified portfolio comprised of common stocks, fixed income securities, and cash reserves. Policy goals are prioritized to maintain safety of principal, provide sufficient liquidity to meet cash flow requirements, and diversify risk.

Other Investments

Other investments include closely held stocks for which market value is not readily determinable. Valuation of the closely held stock is based upon an annual review and estimation provided by an independent appraiser. It is reasonably possible that this estimate will change within one year of the date of these financial statements and the effect of the change would be material.

The fair value of the Foundation's investments at December 31, 2007 and 2006 was as follows:

|                                  | <u>2007</u>          | <u>2006</u>          |
|----------------------------------|----------------------|----------------------|
| Common stock                     | \$ 20,854,840        | \$ 17,078,747        |
| Equity mutual funds              | 2,876,732            | 215,665              |
| Treasury certificates of deposit | 141,576              | 136,391              |
| U.S. agency funds                | 726,467              | 1,372,821            |
| U.S. treasury notes              | 733,253              | 1,392,721            |
| Corporate bonds                  | 1,589,548            | 1,006,580            |
| Asset-backed securities          | 3,264,381            | 993,073              |
| Subtotal, managed investments    | <u>30,186,847</u>    | <u>22,195,998</u>    |
| Other investments                | <u>6,361,844</u>     | <u>5,097,048</u>     |
|                                  | <u>\$ 36,548,641</u> | <u>\$ 27,293,046</u> |

Investment income is summarized as follows:

|                          | <u>2007</u>         | <u>2006</u>         |
|--------------------------|---------------------|---------------------|
| Unrealized gains         | \$ 1,544,337        | \$ 1,777,175        |
| Dividends and interest   | 745,195             | 375,569             |
| Realized gains (losses)  | <u>865,938</u>      | <u>652,541</u>      |
|                          | <u>\$ 3,155,470</u> | <u>\$ 2,805,285</u> |
| Unrestricted - operating | \$ 1,890,674        | \$ 1,691,779        |
| Temporarily restricted   | <u>1,264,796</u>    | <u>1,113,506</u>    |
|                          | <u>\$ 3,155,470</u> | <u>\$ 2,805,285</u> |

**THE ALASKA COMMUNITY FOUNDATION**  
Notes to Financial Statements, *continued*

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets contain donor imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. These net assets are then released and reclassified to unrestricted net assets, from which they are expended. Temporarily restricted net assets consist of the following at December 31, 2007 and 2006:

|                                     |    | 2007      |    | 2006      |
|-------------------------------------|----|-----------|----|-----------|
| Capacity building                   | \$ | 799,523   | \$ | 798,011   |
| Time-restricted pledged investments |    | 6,361,844 |    | 5,097,048 |
|                                     | \$ | 7,161,367 | \$ | 5,895,059 |

**NOTE H – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets represent donor-restricted contributions that are to remain in perpetuity. Earnings are unrestricted; however, the Foundation does not have the right to invade the original principal. Permanently restricted net assets consist of \$3,990,084 and \$987,695 for the years ended December 31, 2007 and 2006 respectively.

**NOTE I – ACF PROPERTIES 1, LLC**

During the first quarter of 2006, The Alaska Community Foundation founded a Limited Liability Company of which it is the sole member. *ACF Properties 1, LLC* was formed to hold title to a rental property, and to insulate the foundation from potential liabilities of owning rental and non-rental real estate. A rental property valued at \$320,232 is designated for the benefit of the Kenai Peninsula Community Care Center. Two additional parcels of land donated during 2006 valued at \$20,000 are undesignated and available for sale. The financial reports for *ACF Properties 1, LLC* have been consolidated with the financial reports for The Alaska Community Foundation for reporting purposes. In July 2007, the rental property valued at \$320,232 was transferred to the non-profit organization which was the beneficiary of the fund.